

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

/090 W

-----051827Z 070095 /42

R 051704Z APR 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7182

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY NICOSIA

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E.O. 11652: N/A

TAGS: EINV, EAID, EEC, TU, GW

SUBJECT: FRG-TURKEY BILATERAL IN ANKARA ON ECONOMIC
COOPERATION, MARCH 28-29

1. SUMMARY: ACCORDING TO FOREIGN OFFICE
SOURCE, THE MARCH 28-29 FRG-TURKISH BILATERAL
DISCUSSIONS CENTERED ON THREE MAIN ISSUES: TURKISH
HANDLING OF FRG DIRECT INVESTMENT APPLICATIONS, FRG
AID AND EXPORT CREDIT POLICY, AND EC-RELATED ISSUES.
FOREIGN OFFICE STATE SECRETARY HERMES LED THE FRG
DELEGATION, WHICH INCLUDED OFFICIALS FROM ECONOMICS,
FINANCE, AND ECONOMIC COOPERATION MINISTRIES. THE LARGE
TURKISH DELEGATION WAS HEADED BY FOREIGN MINISTRY
SECRETARY GENERAL ELEKDAG. THE TURKISH SIDE ACCORDED
CONSIDERABLE IMPORTANCE TO THESE SESSIONS AND WAS WELL
PREPARED FOR THE SUBSTANTIVE DISCUSSIONS. THE
EXCHANGES WERE DETAILED AND FRANK, BUT THE FRG
DELEGATION LEFT ANKARA RATHER FRUSTRATED BY THE
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DIFFICULTY OF OBTAINING ANY REAL CHANGES IN TURKISH
POLICY. END SUMMARY.

2. DIRECT INVESTMENT POLICY: A FOREIGN OFFICE
OFFICIAL (VON STEIN) WHO PARTICIPATED IN MARCH 28-29
MEETING INFORMED EMBOFF THAT THE CHIEF TOPICS WERE
JOINT VENTURE POSSIBILITIES AND THE INVESTMENT CLIMATE.

VON STEIN SAID THAT GERMAN FIRMS HAVE INDICATED CONSIDERABLE INTEREST IN MAKING DIRECT INVESTMENTS IN TURKEY BUT THAT VERY FEW HAVE SUCCEEDED IN OVERCOMING THE DIFFICULT ADMINISTRATIVE ROADBLOCKS. THE BASIC TURKISH LAW RELATING TO FOREIGN DIRECT INVESTMENTS WAS NOT BAD IN ITSELF; THE DIFFICULTIES ENCOUNTERED BY GERMAN FIRMS RESULTED RATHER FROM IMPLEMENTATION OF THIS LAW. A LARGE DELEGATION OF PRIVATE BUSINESSMEN UNDER SPONSORSHIP OF THE GERMAN FEDERATION OF INDUSTRY (BDI) VISITED TURKEY LAST NOVEMBER TO DISCUSS THESE PROBLEMS, BUT THERE HAS BEEN LITTLE CHANGE IN TURKISH POLICY SINCE THEN. THE CHIEF PROBLEMS ARE TURKISH INSISTENCE THAT FIRMS APPLYING FOR PERMISSION TO INVEST GIVE ASSURANCES THAT A CERTAIN PERCENTAGE OF OUTPUT WILL BE EXPORTED AND THE REQUIREMENT THAT AN ADMINISTRATIVE DECREE IS REQUIRED FOR EACH DIRECT INVESTMENT. THE SPECIFICITY AND LACK OF FLEXIBILITY OF THESE DECREES HAVE PLACED IRKSOME CONSTRAINTS ON GERMAN FIRMS OPERATING IN TURKEY.

3. AID AND EXPORT CREDITS: A NUMBER OF INDIVIDUAL TECHNICAL ASSISTANCE AND CAPITAL AID PROJECTS WERE DISCUSSED, PARTICULARLY THE ELBISTAN LIGNITE MINING AND POWER PROJECT. THIS PROJECT, WHICH IS THE SECOND LARGEST DEVELOPMENT AID PROJECT THAT THE FRG HAS UNDERTAKEN IN THE WORLD, HAS BEEN RUNNING INTO CONSIDERABLE DIFFICULTY. ACCORDING TO VON STEIN AND OTHER FRG OFFICIALS, THESE DIFFICULTIES ARE DUE TO A LACK OF COORDINATION IN THE CONSTRUCTION PHASE REFLECTING IN LIMITED OFFICIAL USE

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LARGE PART INTER-MINISTERIAL CONFLICTS WITHIN THE GOT.

4. THE FRG DELEGATION FOUND THAT THE TURKS WERE RELATIVELY COOL TOWARDS THE PROPOSED PROJECT TO CONSTRUCT A NEW RAIL LINK THROUGH TURKEY TO IRAN OR IRAQ. THE GOT ARGUED THAT THIS LINE WOULD BE OF LITTLE HELP FOR THE TURKISH ECONOMY, AND INDICATED THAT TURKEY WOULD BE MUCH MORE WILLING TO PARTICIPATE IN PROJECTS DESIGNED TO DEVELOP THE INTERNAL RAIL SYSTEM.

5. THE TURKISH SIDE ASKED FOR AN EASING OF PRESENT HERMES EXPORT CREDIT GUARANTEE LIMITS AND FOR MORE GERMAN FLEXIBILITY IN GUARANTEEING EXPORT CREDITS. THEY SHOWED PARTICULAR INTEREST IN NEGOTIATING DIRECTLY WITH HERMES TO OBTAIN LINES OF CREDIT FOR PARTICULAR PROJECTS. THEY ARGUED THAT HERMES HAS EXTENDED CREDIT LINES ON OTHER OCCASIONS AND SOUGHT SIMILAR TREATMENT, BUT WERE TURNED DOWN BY THE GERMANS, WHO ARE GENERALLY

OPPOSED TO THIS APPROACH. (ON ONLY FOUR OCCASIONS,
WHEN FACED BY SIMILAR OFFERS FROM OTHER EXPORT CREDIT

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INSTITUTIONS, HAS HERMES EXTENDED LINES OF CREDIT -
SEE BONN 19433, DEC 1975.)

6. EC ISSUES: THE TURKISH DELEGATION ACCUSED THE
GERMANS OF NOT LIVING UP TO THE ASSOCIATION AGREEMENT
INITIALED LAST DECEMBER AS FAR AS RIGHTS FOR TURKISH
WORKERS WERE CONCERNED. THE FRG REFUSED TO EASE ITS
PRESENT RESTRICTIONS AGAINST FURTHER INFLOWS OF NEW
WORKERS, BUT AGREED TO CONSIDER EASING THE RESTRICTIONS
APPLIED TO TURKISH WORKERS AND THEIR FAMILIES ALREADY
DOMICILED IN GERMANY. THE MOST IMPORTANT OF THESE
CHANGES, WHICH HAS ALREADY BEEN UNDER CONSIDERATION
IN BONN, IS TO ALLOW THOSE CHILDREN OF TURKISH WORKERS
WHO ARRIVED BETWEEN 1974 AND *)& TO OBTAIN WORK PERMITS.

7. ACCORDING TO VON STEIN, THIS BILATERAL MEETING
WAS ENVISAGED SEVERAL YEARS AGO, BUT HAD BEEN
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CONTINUALLY DELAYED BY DIFFICULTIES IN SCHEDULING ON BOTH SIDES. AT TURKISH INSISTENCE, IT WAS HELD AT THE STATE SECRETARY LEVEL. FUTURE MEETINGS ARE ENVISAGED, PROBABLY ON AN ANNUAL BASIS, BUT THESE WILL BE CONDUCTED AT A LOWER LEVEL. VON STEIN EXPLAINED THAT THE PROBABILITY OF A GENERAL ELECTION IN TURKEY SOMETIME THIS JUNE WAS AN IMPORTANT FACTOR INFLUENCING THE TALKS. THE GERMAN DELEGATION REALIZED THAT IT WOULD BE DIFFICULT FOR THE TURKS TO GIVE FIRM COMMITMENTS ON FUTURE POLICY, AND SO REFRAINED FROM PUSHING VERY HARD FOR SUCH COMMITMENTS. THE FOREIGN OFFICE NEVERTHELESS HOPED THAT THESE DISCUSSIONS MIGHT BEAR FRUIT AFTER THE ELECTIONS, PARTICULARLY IF DEMIREL SHOULD EMERGE AS THE VICTOR.
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